

Message Text

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PAGE 01 MANILA 01243 231113Z

12

ACTION EA-09

INFO OCT-01 ISO-00 ERDA-05 NRC-05 FEA-01 EB-07 XMB-02

TRSE-00 L-03 CIAE-00 INR-07 NSAE-00 COME-00 AID-05

DODE-00 PA-01 USIA-06 PRS-01 SP-02 /055 W

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R 230917Z JAN 76

FM AMEMBASSY MANILA

TO SECSTATE WASHDC 1493

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E.O. 11652: N/A

TAGS: EFIN, ENRG, RP

SUBJECT: FINANCING FOR THE NUCLEAR POWER PLANT

REF: A) MANILA 0711, B) 75 MANILA 18004

1. EMBASSY HAS RECEIVED OFFICIAL NOTIFICATION THAT PRES. MARCOS HAS ISSUED ORDERS TO PROCEED WITH THE NUCLEAR POWER PROJECT. THE NATIONAL POWER CORPORATION (NPC) HAS FURNISHED EMBASSY A COPY OF ITS LETTER OF JANUARY 16 TO EXIMBANK EXECUTIVE VICE PRESIDENT DAVID BEIM, ACCEPTING THE TERMS AND CONDITIONS CONTAINED IN THE BANK'S LETTER TO NPC OF DECEMBER 18, 1975. THE LETTER WAS FORWARDED TO THE PHILIPPINE EMBASSY IN WASHINGTON ON JAN 19., FOR SUBSEQUENT DELIVERY TO EXIMBANK.

2. NPC IS NOW EAGER TO COMMENCE FINAL NEGOTIATIONS, AND HAS ASKED EMBASSY TO INQUIRE IF SECOND WEEK IN FEBRUARY WOULD BE APPROPRIATE TIME TO SEND THE NUCLEAR FINANCE TEAM TO WASHINGTON FOR THIS PURPOSE. (THIS QUESTION ALSO POSED IN JAN 16 LETTER TO EBIM.) GOP SHOULD THUS RECEIVE DRAFT LOAN DOCUMENTS HERE SOME TIME PRIOR TO DEPARTURE OF TEAM.

3. NPC HAS EXPRESSED SOME CONCERN OVER CONDITONS

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PAGE 02 MANILA 01243 231113Z

SPECIFIED IN PARAGRAPH 13 OF EXIM LETTER; SPECIFICALLY, THE REQUIREMENT TO NOTIFY EXIM OF THE FINANCIAL INSTI-

TUTIONS PARTICIPATING IN THE PRIVATE FINANCING. QUESTION IS WHETHER LISTING OF ONLY LEAD BANKS IS ADEQUATE, PENDING FINAL DETERMINATION OF ALL INSTITUTIONS PARTICIPATING. OFFICIALS OF NPC AND THE PRESIDENTIAL STAFF EXPLAINED TO EMBASSY OFFICERS THAT AGREEMENT HAS NOW BEEN REACHED WITH MANAGERS OF FINANCING SYNDICATE, AND THAT LOAN WILL BE PLACED IN THE MARKET VERY SOON. IT IS THEREFORE EXPECTED THAT FULL LIST OF PARTICIPANTS WILL BE AVAILABLE IN TWO TO THREE WEEKS, BUT GOP DOES NOT WISH TO DELAY MOVEMENT ON THE PROJECT FOR THIS AMOUNT OF TIME. THIS QUESTION ALSO DISCUSSED IN NPC LETTER TO BEIM.

4. EMBASSY ALSO HAS CONFIRMATION FROM LOCAL BANKING SOURCES THAT ANOTHER ATTEMPT TO SECURE THE \$256 MILLION UNGUARANTEED PORTION OF THE NUCLEAR PROJECT FINANCING WILL COMMENCE NEXT WEEK. THE OFFERING WILL BE LINKED TO A BALANCE OF PAYMENTS LOAN (DETAILS DISCUSSED SEPTTEL), WHICH SHOULD MAKE IT MORE ATTRACTIVE, BUT AT LEAST ONE REPRESENTATIVE OF ONE OF THE LEAD BANKS STATES THAT IT WILL QUOTE NOT BE EASY AT ALL UNQUOTE.

5. EMBASSY HAS MADE APPOINTMENT ON JAN 26 FOR VISITING EXIMBANK DEPUTY VICE PRESIDENT CRAFTON WITH UNDERSECRETARY OF INDUSTRY ITCHON (WHO HAS BEEN PLACED IN OVERALL CHARGE OF PROJECT) AND NPC GENERAL MANAGER DEL ROSARIO. WE PRESUME THAT ITCHON AND DEL ROSARIO WILL WISH TO COVER TWO FOREGOING QUESTIONS--THE PRECISE REQUIREMENTS OF PARAGRAPH 13 AND THE FEASIBILITY OF A FINAL NEGOTIATING SESSION AS EARLY AS THE SECOND WEEK IN FEBRUARY--AT THAT TIME.

6. PERHAPS DRAFT LOAN DOCUMENTS CAN BE DRAWN UP WITH NAMES OF PARTICIPATING FINANCIAL INSTITUTIONS LEFT BLANK FOR LATER COMPLETION. NEVERTHELESS, THE SECOND WEEK IN FEBRUARY FOR FINAL NEGOTIATION MAY BE OVER-AMBITIOUS. EMBASSY REQUESTS GUIDANCE. STULL

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